

STATE OF MAINE
PUBLIC UTILITIES COMMISSION

Docket No. 2003-910

January 21, 2004

FOX ISLAND ELECTRIC COOPERATIVE, INC.
Application for Approval of
Issuance of Securities and Mortgage
Bonds (35A-M.R.S.A. §902, §1101)
(\$1,050,000)

ORDER APPROVING
ISSUE OF SECURITIES
AND MORTGAGE ON
UTILITY PROPERTY

WELCH, Chairman; DIAMOND and REISHUS, Commissioners

I. SUMMARY

On December 10, 2003, Fox Island Electric Cooperative, Inc. (FIE or the Cooperative) filed with the Commission an application for approval of the issuance of securities, through the Federal Financing Bank (FFB) for the purpose of maintaining and upgrading its distribution system. FIE proposes to borrow an amount not to exceed \$1,050,000 in multiple, individual drafts, none of which will have a final maturity date later than December 31, 2037 (35 years). FIE will be able to choose the amortization schedule for each draft (or note) and the interest rate will be determined for individual notes as drawn. Individual notes will be secured by a mortgage on the Cooperative's property and will also be guaranteed by the Rural Utilities Service (RUS) which acted as agent on this transaction. This Order approves FE's request.

II. ANALYSIS & DECISION

FIE will use the loan proceeds for planned system upgrades including the addition of roughly 6 miles of new or converted distribution line, more than 100 transformers, and more than 200 meters also classified as distribution plant. In addition, this financing will include the replacement and repair of two 35kV submarine cables. FIE expects to draw on this credit facility following our approval and can continue to do so up to the \$1,050,000 limit until November 3, 2008. FIE has the ability to choose the amortization period for each note subject to the condition that that period will not extend past December 31, 2037. At the time of each draft the interest rate on the note will be fixed based on FFB's formula of 12.5 basis points (or 0.125%) over the rate on U.S. Treasury securities with a comparable maturity. Assuming FIE wished to use a 20-year amortization period today, it could expect to pay roughly 5.14% based on a recent 20-Year U.S. Treasury rate of 4.98%.¹ This appears to be quite favorable for

¹ From the Federal Reserve's H.15 January 12, 2004 Statistical Release for the week ended January 9, 2004.

FIE as the most recent data from Moody's Investment Services indicates that the highest rated long-term utility bonds are currently yielding 6.18%.²

Having reviewed the application of the Company, together with data provided in support of it, it is the opinion of the Commission that the proceeds of the issuance of the securities are required in good faith for the purposes enumerated in 35-A M.R.S.A. § 901. As is required under 35-A M.R.S.A. § 1101, FIE is also authorized to mortgage utility property as necessary to complete this transaction. In approving this securities issue, consistent with normal practice and pursuant to 35-A M.R.S.A. § 902(4), the Commission does not imply approval of the Cooperative's capital needs, capital costs or capitalization ratio for rate making purposes, nor does this Order limit or restrict the powers of the Commission in determining or fixing any rate.

Accordingly, we

O R D E R

1. Pursuant to 35-A M.R.S.A. §§ 901 and 1101, the Fox Island Electric Cooperative, Inc. (FIE) is authorized to issue securities collateralized by a mortgage interest on its utility property to the Federal Financing Bank (FFB) as described in its application, in a sum not to exceed \$1,050,000 to be used solely for the purposes described in its filing, at market interest rates determined on the date of draft, with a final maturity not later than December 31, 2037.
2. That FIE report to the Acting Director of Finance, in writing its doings pursuant to this Order within sixty (60) days of the date of closing of the loan.
3. That a copy of this Order be mailed to interested parties and this Docket be closed.

Dated at Augusta, Maine, this 21st day of January, 2004.

BY ORDER OF THE COMMISSION

Dennis L. Keschl
Administrative Director

COMMISSIONERS VOTING FOR: Welch
 Diamond
 Reishus

² Yields as shown for Aa-rated utilities as of January 8, 2004 on Moodys.com.

NOTICE OF RIGHTS TO REVIEW OR APPEAL

5 M.R.S.A. § 9061 requires the Public Utilities Commission to give each party to an adjudicatory proceeding written notice of the party's rights to review or appeal of its decision made at the conclusion of the adjudicatory proceeding. The methods of review or appeal of PUC decisions at the conclusion of an adjudicatory proceeding are as follows:

1. Reconsideration of the Commission's Order may be requested under Section 1004 of the Commission's Rules of Practice and Procedure (65-407 C.M.R.110) within 20 days of the date of the Order by filing a petition with the Commission stating the grounds upon which reconsideration is sought.
2. Appeal of a final decision of the Commission may be taken to the Law Court by filing, within 21 days of the date of the Order, a Notice of Appeal with the Administrative Director of the Commission, pursuant to 35-A M.R.S.A. § 1320(1)-(4) and the Maine Rules of Appellate Procedure.
3. Additional court review of constitutional issues or issues involving the justness or reasonableness of rates may be had by the filing of an appeal with the Law Court, pursuant to 35-A M.R.S.A. § 1320(5).

Note: The attachment of this Notice to a document does not indicate the Commission's view that the particular document may be subject to review or appeal. Similarly, the failure of the Commission to attach a copy of this Notice to a document does not indicate the Commission's view that the document is not subject to review or appeal.